

PALM BEACH STATE COLLEGE

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

William Berger, Chair
David H. Talley, Vice Chair
John W. Dowd, III, from 12-08-11
Kenneth B. Kirby to 12-07-11
Wendy S. Link
Carolyn L. Williams

Dr. Dennis P. Gallon, President

The audit team leader was Diana G. Garza, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. For the information technology portion of this audit, the audit team leader was Shawn McCormick, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

PALM BEACH STATE COLLEGE

SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The Board needed to enhance its written policies and procedures related to electronic funds transfers.

Finding No. 2: The College needed to improve its procedures to ensure that written minutes of all meetings subject to the provisions of the Sunshine Law are prepared, submitted for Board approval, and are available for public inspection.

CONTRACT MONITORING

Finding No. 3: The College did not properly monitor payments to a consultant to ensure such payments were limited to contract terms and conditions and, as a result, overpaid the consultant \$17,830.

STUDENT TUITION AND FEES

Finding No. 4: The Board needed to enhance its written policies and procedures for assessing laboratory and other user fees.

PURCHASING CARD PROGRAM

Finding No. 5: The College needed to enhance its monitoring procedures over its P-card program to ensure compliance with the College's P-card Manual.

MOTOR VEHICLES

Finding No. 6: The College's procedures for monitoring the use of College-owned motor vehicles needed improvement.

INFORMATION TECHNOLOGY

Finding No. 7: College information technology security controls related to user authentication and data loss prevention needed improvement.

BACKGROUND

Palm Beach State College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of five members appointed by the Governor and confirmed by the Senate. The College President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has campuses in Belle Glade, Boca Raton, Lake Worth, and Palm Beach Gardens, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Palm Beach County. The College reported enrollment of 20,986 full-time equivalent students for the 2011-12 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2012, will be presented in a separate report. In addition, the Federal awards administered by the College are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2012, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Administrative Management and Board Policies

Finding No. 1: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each college board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between colleges and other entities.

According to the College’s records, \$41 million of electronic funds transfers were made to various financial institutions and vendors for the purposes of transfers, investments, and payments of expenses during the 2011-12 fiscal year. The Board established Policy 6Hx-18-4.031, Automatic Funds Transfers, which authorizes electronic funds transfers for investments, redemption of certificates of deposits and repurchase agreements, transfers between College accounts, interest collections, and transfers to other governmental agencies. Although the College’s Finance Procedures Manual (Manual) includes accounting and control procedures for the receipt of electronic transactions, this Manual did not address the accounting and control procedures for payments by electronic funds transfers. In addition, the Board’s policies and procedures did not address the need for, or use of, electronic signatures when conducting electronic transactions between the College and other entities. While the College has established controls over electronic transactions for the receipt of funds, the lack of specific guidance in the Board’s policies and procedures related to electronic payments increases the risk that electronic transactions will not be executed in accordance with Board directives and the provisions of Chapter 668, Florida Statutes.

Recommendation: The Board should enhance its written policies and procedures to address the use of electronic funds transfers, including the use of electronic signatures.

Finding No. 2: Board Meetings and Minutes

Section 286.011, Florida Statutes, is commonly referred to as the Sunshine Law. Pursuant to Section 286.011, Florida Statutes, college boards of trustee meetings at which official acts are to be taken are declared to be public meetings open to the public at all times, and no resolution, rule, or formal action shall be considered binding except as taken or made at such a meeting. Furthermore, reasonable notice of such meetings must be provided, the minutes of such meetings must be promptly recorded, and the records generated must be open to public inspection. As indicated by Attorney General Opinion 75-45, sound recorders may be used to record public meetings so long as written minutes of the meeting are promptly recorded for public inspection. Where officials have violated section 286.011, F.S., the official action is regarded as though it never occurred as noted in Town of Palm Beach v. Gradison, 296 So.2d 473, 477 (Fla.1974).

The Sunshine Law extends to any gathering, whether formal or casual, of two or more members of the same board or commission to discuss some matter on which a foreseeable action may be taken by the public board or commission as noted in Hough v. Stembridge, 278 So. 2d 288 (Fla. 3d DCA 1973). This includes informal discussions, deliberations, and workshops as noted in Attorney General Opinion 2009-56.

During the 2011-12 fiscal year, the Board held two workshops: One held on April 3, 2012, discussing various topics such as out-of-country travel and continuing contracts, and another held on May 29, 2012, discussing the College's budget. While College personnel prepared agendas for the workshops and made audio recordings of them, College personnel did not create written minutes of the proceedings.

Recommendation: The Board should ensure that written minutes of all meetings subject to the provisions of the Sunshine Law are created and made available to the public in accordance with Florida law.

Contract Monitoring

Finding No. 3: Consultant Contract Monitoring

Effective contract monitoring includes procedures that ensure contractors comply with applicable terms and conditions of the contract, and that invoices support the receipt of services provided in the contract.

The College paid \$1,118,000 for consultant services during the 2011-12 fiscal year. Our review of ten contract payments totaling \$588,000 to 10 vendors for consultant services disclosed a contract with one vendor for consulting services of \$155,000, which provided for reimbursement of actual travel expenses not to exceed \$25,000. The contract provided that all payment requests for consulting services or travel expenses be submitted in sufficient detail to allow for a pre- and post-audit. The contract also provided that purchases of services made from an outside vendor should be supported by paid invoices or receipts and copies of canceled checks, if applicable. Further, for personnel services, the contract provided that a general statement of the services being provided, the time period covered by the invoice, as well as the personnel payment rate, and the number of hours worked be included with time sheets or time logs and copies of canceled payroll checks. Our review of all payments to this vendor for the period July 2010 through August 2011 disclosed the following:

- The vendor was paid a total of \$172,830 for consulting services, and \$1,114 for travel expenses. The \$172,830 paid to the consultant for services exceeded the amount authorized in the contract by \$17,830. In response to our inquiry, College personnel stated that their focus was on ensuring that the total contracted amount (including services and travel) was not exceeded, rather than whether the payment for consulting fees exceeded the amount authorized for consulting fees, and that the travel expenses were lower as a significant portion of the work was able to be performed by telecommuting. However, travel expenses were limited to reimbursement for actual travel necessary to complete consulting services as provided in the contract and the contract limited payments for consultant services to \$155,000.
- The thirteen invoices submitted by the vendor did not contain sufficient supporting documentation, contrary to contract provisions, and travel and other expenditure reports were not submitted; therefore, College records did not evidence that invoiced amounts were in accordance with the contract terms. For example, the invoices did not include paid receipts and copies of canceled checks for services provided from outside vendors. Invoices for personnel expenses did not include the personnel payment rate, number of hours worked, time sheets, or copies of canceled payroll checks. When services provided are not properly documented, the risk increases that the College may pay for services not received.

Recommendation: The College should enhance its procedures to properly document receipt of contracted services and reconcile such documentation to related contract provisions before payment for such services are made to ensure that payments are limited to amounts authorized in the contract. Additionally, the College should obtain adequate invoices from the vendor to determine the propriety of all payments made to the vendor and, as appropriate, seek to recover amounts overpaid, if any, to the vendor.

Student Tuition and Fees

Finding No. 4: Laboratory and User Fees

Section 1009.23(12), Florida Statutes, authorizes each college board of trustees to establish user fees, including laboratory fees, that shall not exceed the cost of the services provided and may only be charged to persons receiving the service. State Board of Education Rule 6A-14.054(6), Florida Administrative Code, authorizes each board of trustees to establish user fees in addition to tuition fees for services that incur unusual costs. Additionally, the Florida College System Council of Business Affairs and the Florida Department of Education, Division of Florida Colleges, issued guidelines for assessing user fees. These guidelines provide that each board of trustees establish policies for the implementation and justification of additional user fees, defining which costs are in excess of base instructional costs, defining the basis for determining the amounts of the fees, describing the documentation required to support the fees, the time period of review of such fees, and the manner of presenting such fees to the board of trustees for approval.

Laboratory and other user fee collections totaled approximately \$3 million for the 2011-12 fiscal year. Board Policy 6Hx-18-4.17 provides for the establishment, publishing, collection, and budgeting of student fees in accordance with State Board of Education rules. However, contrary to the above-noted guidelines the Board's policies do not include requirements for justifying user fees, defining which costs are in excess of base instructional costs, defining the basis for calculating the user fees, describing the documentation required to support the user fees, describing the time period for review of such user fees, and describing the manner of presenting user fees to the Board for approval. In response to our inquiry, College personnel stated that the College's *Academic Affairs Policies and Procedures* manual required the preparation of a Course Special Fee Assessment Form (form) to document the request, justification, and methodology for calculating these fees. However, our test of 20 user fees disclosed that the form did not include information evidencing how these fees were calculated.

In the absence of written policies or procedures, including established guidelines for determining base instructional costs, user fees may not be properly calculated and may exceed the costs incurred to provide the services.

Recommendation: The Board should enhance its written policies and procedures for assessing laboratory and other user fees to ensure compliance with applicable laws, rules, and guidelines, including requiring that these fees be submitted to the Board for its review and approval.

Purchasing Card Program

Finding No. 5: Purchasing Cards

The College administers a Purchasing Card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. The College uses P-cards to efficiently and effectively handle and expedite low-dollar purchases of goods and services. Purchasing cards are subject to the same rules and regulations that apply to regular College purchases and the College has established written P-card procedures to provide users with additional guidance on how to properly use P-cards. The College had issued 237 P-cards to employees as of June 30, 2012, who incurred charges for purchased goods and services totaling approximately \$1.5 million during the 2011-12 fiscal year.

The College appointed a P-card Specialist and developed a comprehensive P-card Manual that addressed the various management controls over the issuance, use, and cancellation of P-cards. Our current testing of documents and

transactions for P-card usage for the period July 2011 through January 2012 disclosed that improvements in controls were needed, as follows:

Monthly Credit Limits

Effective monitoring of monthly credit limits reduces the risk of unauthorized use or purchases in excess of budget constraints. Our review of monthly credit limits for the 236 P-cards issued to employees as of January 2012, disclosed the following:

- For six cardholders, the monthly credit limit granted by the P-card provider (bank) exceeded the limit authorized by the College by amounts ranging from \$2,000 to \$3,500. College records did not document when the changes in credit limit were made or who made the changes for these six cardholders. Additionally, we noted a P-card where the College's records indicated an approved monthly credit limit of \$3,000; however, the bank listed the P-card as suspended. In response to our inquiry, College personnel stated they relied on the detailed listing generated by the bank and a listing from the College's accounting system; however, the College's listing in the accounting system did not include the credit limits assigned. College personnel provided us samples of recent electronic notifications from the bank regarding any changes in the P-card system (i.e., cancellations, increases/decreases in credit limits, etc.); however, due to the volume of such notifications, the College did not retain all these notifications. Without a comprehensive independent listing, requests made to the bank's system for credit limit changes, suspensions, etc., cannot be verified by the College as implemented or completed and, as noted above, cannot ensure that authorized credit limits were consistent with the credit limits granted by the bank.
- For six cardholders, the monthly purchase transactions exceeded their monthly credit limits for 8 months ranging from August 2011 through April 2012 without evidencing approval by appropriate College management for increasing the monthly credit limits. Monthly overages ranged from \$384 to \$2,134.
- The documentation for seven cardholder requests for credit limit increases did not evidence Controller's approval contrary to the P-card Manual.

Single Transaction Limits

College P-cards generally have a single transaction limit (STLs) of \$999. Our review of 94 P-card transactions totaling \$155,931 for the period July 2011 through April 2012 disclosed the following:

- For 21 charges totaling \$35,310, the STL was exceeded by amounts ranging from \$15 to \$1,501, which totaled \$10,328, and we noted the following for these 21 charges:
 - Although requested, supporting documentation for 4 charges ranging from \$1,139 to \$2,195, and totaling \$6,719 was not provided. Absent supporting documentation neither we nor the College could support the validity of the purchases.
 - Documentation for the other 17 charges ranging from \$1,014 to \$3,439, and totaling \$28,591, did not evidence approval by the Controller contrary to the P-card Manual, which could result in unallowed or questionable charges to the College.
- There were 34 P-card purchases ranging from \$62 to \$1,697, totaling \$49,828, that appeared to have been split into two or more transactions to circumvent the \$999 cardholder single transaction limits. For example, we noted 8 purchases from one vendor, on the same P-card, for the amount of \$757 each, and totaling \$6,056, made on two consecutive days (4 purchases each day). In these instances, College procedures were not sufficient to ensure that the use of P-cards complied with the College's P-card Manual.

P-card Transactions

The College's P-card Manual (Manual) states that P-card activity reports must be signed by both the cardholder and his or her supervisor as evidence that transactions were verified and approved. These reports must be returned to the P-card Specialist by the end of the month following the statement cycle. Our review of 94 transactions totaling \$155,931 for the period July 2011 through April 2012 disclosed the following:

- Two P-card transactions totaling \$6,195 were made in April 2012 for which the required purchasing card activity reports had not been received from the cardholders as of June 25, 2012. Subsequent to our inquiry, we were provided with the purchasing card activity report for one cardholder and a copy of the documentation retrieved from the bank’s system for the other cardholder. The activity report was reviewed and approved by the cardholder on June 20, 2012, or 20 days after the date it was due to the P-card Specialist. The documentation retrieved from the bank was reviewed and approved by the cardholder on August 17, 2012, or 78 days after the date it was due to the P-card Specialist. Failure of the cardholder to timely review and approve P-card transactions and return the activity report to the P-card Specialist increases the risk that unauthorized purchases may not be timely detected and may be subsequently paid by the College.
- Seven P-card transactions were for unallowed purchases totaling \$3,718. Three purchases totaling \$719 included gratuity of \$113; 3 purchases totaled \$2,507 for gift cards; and 1 purchase for \$492 was for a datacard, all of which are not allowed P-card purchases as noted in the P-card Manual. Subsequent to our inquiry, in March 2012, College management revised the P-card Manual to allow these types of charges to be in accordance with other College procedures.
- Two purchasing card activity reports had not been signed by the cardholder or appropriately approved. As noted above, the College’s P-card Manual states that purchasing card activity reports must be signed by both the cardholder and his or her supervisor as evidence that transactions were verified and approved.

Controls Over P-Cards

During our review of 21 P-cards that had been cancelled during the seven-month period ended January 31, 2012, we noted one P-card was cancelled 4 days after employee termination and for two P-cards reported as lost or stolen, the dates reported were not documented. The College’s P-card Manual requires the cardholder to immediately notify the bank, the respective Department Head, P-card Specialist, and the Controller upon discovering that his or her P-card has been lost or stolen. The Department Head must send a memorandum to the Controller explaining the circumstances resulting in the request for replacement. The memorandum must be attached to a Card Change Request form requesting a P-card cancellation and replacement. In response to our inquiry, College personnel stated that upon discovering a P-card has been lost or stolen, the cardholder must immediately notify the bank and the P-card Specialist. College personnel also stated that neither a memorandum nor a Card Change Request form is provided in order to obtain a replacement card. Subsequent to our testing, in March 2012, College management revised the P-card Manual so that written memorandums and the Card Change Request form are no longer required.

Recommendation: The College should enhance its monitoring procedures over administration of its P-card program to ensure that P-cards are used in accordance with Board directives. The College should also consider maintaining an independent listing of all P-cards and credit limits associated with each and timely cancel cards as applicable. For the four charges totaling \$6,719 noted above, the College should request copies of the invoices from the vendors to document that these purchases served a valid public purpose.

Motor Vehicles

Finding No. 6: Vehicle Records

As of June 30, 2012, the College maintained 78 motor vehicles for use by employees for off-campus or inter-campus travel while conducting official College business. The College’s policies and procedures required that vehicle users submit a Campus Fleet Vehicle (CFV) request form or College Vehicle Reservation (CVR) form, complete a vehicle mileage log (log) and a vehicle maintenance log, and use the vehicles for official College business only. The CFV must be completed and approved by the applicable Provost, Vice President, or Supervisor before a College vehicle can be used for off-campus business travel.

The College has made improvements in monitoring the use of motor vehicles by employees. However, as similarly noted in our report Nos. 2011-035 and 2009-033, our review of logs for ten vehicles disclosed the need for further improvements, specifically we noted the following:

- For the ten logs tested, CFVs did not always include the vehicle number to allow reviewers to match the purpose of using the vehicle on the CFV to the proper logs.
- For the ten logs tested, CFVs were not always available for the logged trips and one log provided was not signed by a Provost, Vice President, or Supervisor to document approval of the off-campus use.
- For three logs, gaps between the ending mileage on one trip and the beginning mileage on the next trip ranged from 3 to 119 miles. One of these logs was also not verified by a Supervisor.
- For one log, there was an entry for overnight travel for which no pre-approved overnight approval form was provided; there were two trips logged that were missing CVR forms; and one of the CVRs provided did not have an approving signature.
- For one log, there were two entries logging overnight travel trips from the College’s Belle Glade campus totaling 491 miles, but overnight approval forms were not provided and only one CVR form was provided. For one of the overnight trips, the log was missing the time in. For the other overnight trip, the destination and purpose of the trip did not appear to necessitate overnight travel and the CVR form had a date of departure that was before the date of request. College personnel indicated that the employee responsible for these overnight travel trips was no longer employed by the College.

Absent complete and accurate information on vehicle mileage logs and supporting CFVs there is an increased risk that College-owned vehicles may be used for unauthorized purposes.

Additionally, in connection with the vehicle logs, the College’s policies and procedures require that a vehicle user’s driver license be submitted for a validity check prior to the processing of the reservation request. After the initial validity check, the driver licenses are to be checked for validation at least once per year. Our review of records for ten driver licenses selected for verification disclosed that two licenses had not been verified within the last twelve months (7 and 100 days late at the time of our review). Also, for one employee assigned a Facilities vehicle, there was no documentation to evidence driver license verification had ever been performed. Driver license verifications decrease the risk that employees with possible operator restrictions or without valid driver licenses may operate College-owned vehicles. Without conducting validity checks on an annual basis, there is an increased risk that employees using College-owned vehicles may not possess a valid driver license.

Recommendation: The College should continue to improve its monitoring of vehicle usage to ensure that its vehicles are used only for official College business. Additionally, the College should also ensure annual verification that employees authorized to use College’s vehicles possess valid drivers’ licenses in accordance with College policies and procedures.

Information Technology

Finding No. 7: Security Controls - User Authentication and Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain College security controls related to user authentication and data loss prevention that needed improvement. We are not disclosing specific details of the issues to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Similar findings regarding user authentication were noted in our report Nos. 2011-035 and 2009-033. Without adequate security controls related to user authentication and data loss prevention,

the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised.

Recommendation: The College should improve security controls related to user authentication and data loss prevention to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2011-035, except that findings No. 6 and 7 were also noted in prior audit report No. 2011-035, as findings No. 2 and 3, and in prior audit report No. 2009-033, as findings No. 4 and 9.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2012 to August 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2011-035.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing,

overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit’s findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of transactions and records occurring during the 2011-12 fiscal year. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information technology (IT) policies and procedures.	Reviewed the College’s written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges over the operating system, database, network, and applications to determine the appropriateness and necessity based on the employees’ job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties.
IT termination of employee access.	Reviewed procedures to prohibit former employees’ access to electronic data files. Tested access privileges of former employees to determine whether their access privileges had been timely deactivated.
IT logging and monitoring.	Reviewed procedures and reports related to the capture, review, maintenance, and retention of system and security event logs.
IT data loss prevention.	Reviewed written security standards in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Determined whether the College had developed an adequate written security incident response plan.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Board meetings.	Reviewed Board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, maintain minutes).
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the College’s fraud policy and related procedures.
Identity theft prevention program (Red Flags Rule).	Reviewed the College’s policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission’s Red Flags Rule.
Textbook Affordability.	Examined supporting documentation to determine whether the College’s policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Student loans.	Determined whether the College had established procedures for students that transferred from other institutions of higher education, to verify that the student was not in default on student loans or was not past due on a student receivable.
Property acquisitions.	Determined whether the College, pursuant to Section 1013.40(2), Florida Statutes, received Legislative approval for property acquisitions using public funds.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Florida College System Program Fund.	Tested expenditures from the Florida College System Program Fund to ensure such funds were not expended on the education of State or Federal inmates.
Personnel and payroll.	Tested payroll transactions to determine the accuracy of the rate of pay.
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of, and necessity for, overtime payments. Performed analytical procedures to determine the reasonableness of overtime payments.
Terminal pay.	Reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees' compensation to determine whether compensation did not exceed limits provided in Florida law.
President's compensation.	Determined whether the President's compensation was in accordance with Florida law, rules, and Board policies.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Direct-support organizations – conflicts of interest.	Determine whether the College had established policies and procedures to avoid potential conflicts of interest with vendors who were doing business with the College and made donations to the College's direct-support organization.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses and advances.	Tested executive foreign and out-of-state travel expenses to determine whether the travel was reasonable, adequately supported, and for College purposes. Also determined whether travel advances complied with Board policy and were properly accounted for in a timely manner.
Motor vehicle utilization.	Tested vehicle logs for completeness, supervisory review, and use of logs to schedule preventative maintenance.

**EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed, and that contract terms were adequately supported.
Laboratory and other user fees.	Reviewed the College’s procedures and determined whether they were approved by the Board of Trustees. Tested laboratory and other user fees and examined supporting documentation to determine whether the College properly calculated these fees.
Student activity and service fees.	Reviewed the amount of the activity and service fee assessments to determine that the fees did not exceed 10 percent of the total tuition fee rates.
Financial aid fee expenditures.	Determined the amount of financial aid fees assessed by the College and obtained a copy of the Financial Aid Fee Report filed with the Division of Florida Colleges.
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules. Also for construction management contracts, determined whether the College monitored the selection process of architects and engineers, construction managers, and subcontractors by the construction manager.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay and other restricted capital outlay expenditures, were expended in compliance with restrictions imposed on the use of these resources.
Insuring architects and engineers.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers. Examined recent construction projects to determine whether architects and engineers provided evidence of the required insurance.
Annual fire safety, casualty safety, and sanitation inspection reports.	Obtained copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports and determined whether deficiencies noted were timely corrected.
State sales tax exemption for direct purchase of construction materials.	Tested significant construction projects to determine whether the College made use of its sales tax exemption to make direct purchases of materials, or documented its justification for not doing so.
State-funded capital outlay program reporting.	Determined whether amounts reported to the Florida Department of Education for State-funded capital outlay programs were supported by the College’s accounting records.
Electronic payments.	Reviewed College policies and procedures related to electronic vendor payments and tested supporting documentation to determine whether selected electronic payments were properly authorized and supported.

EXHIBIT B
MANAGEMENT'S RESPONSE

PALM BEACH STATE
COLLEGE

OFFICE OF
THE PRESIDENT

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November 13, 2012

Mr. David W. Martin, CPA
Auditor General
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Tallahassee, FL 32399-1450

Dear Mr. Martin:

On October 15, 2012, we received the preliminary and tentative audit findings and recommendations for Palm Beach State College's Operational and Compliance Audit administered by the State of Florida Auditor General Office for the fiscal year ended June 30, 2012. The recommendations identified in the audit will be used to improve the operations of the College in the future.

Our responses to the findings are attached. Please contact Mr. Richard A. Becker, Vice President of Administration and Business Services, at (561) 868-3137, if additional information is needed.

Sincerely,



Dennis P. Gallon, Ph.D.
President

Attachment

cc: District Board of Trustees
Mr. Richard A. Becker

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

PALM BEACH STATE
COLLEGE

**Palm Beach State College responses to the
Auditor General's Operational and Compliance Audit of
Palm Beach State College
for the fiscal year ended June 30, 2012**

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The Board needed to enhance its written policies and procedures related to electronic funds transfers.

The Board has approved enhanced policies and procedures related to electronic funds transfers.

Finding No. 2: The College needed to improve its procedures to ensure that written minutes of all meetings subject to the provisions of the Sunshine Law are prepared, submitted to the Board approval, and are available for public inspection.

The College has always audio recorded all meetings subject to the provisions of the Sunshine Law; however, written minutes of the Board workshops were not prepared. This practice has been changed and we now prepare written minutes of all meetings subject to the provisions of the Sunshine Law.

CONTRACT MONITORING

Finding No. 3: The College did not properly monitor payments to a consultant to ensure such payments were limited to contract terms and conditions and, as a result, overpaid the consultant \$17,830.

The College failed to complete a contract amendment in a timely manner. We will evaluate this situation to determine the appropriate disposition. In addition, the College has reemphasized to all those involved in the contracts/grants and contract/grant accounting the importance of compliance with contract language.

STUDENT TUITION AND FEES

Finding No. 4: The Board needed to enhance its written policies and procedures for assessing laboratory and other user fees.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

As of July 2012, the Office of Academic Services and the Finance Office developed an enhanced procedure for reporting course special fees on a monthly basis. In addition, this procedure which previously resided in the Academic Affairs Policy and Procedures Manual will become a Board Policy.

PURCHASING CARD PROGRAM

Finding No. 5: The College needed to enhance its monitoring procedures over its P-card program to ensure compliance with the College's P-card Manual.

The College has updated and enhanced its P-Card Manual. We will continue to improve our review and authorization processes and update our P-Card Manual. With the updated web software interface in the P-Card program, the P-Card coordinator can more efficiently change limits for intended approved uses. It should be noted that the College has not lost any funds related to the P-Card program, and it monitors every transaction in detail.

MOTOR VEHICLES

Finding No. 6: The College's procedures for monitoring the use of College-owned motor vehicles needed improvement.

As noted by the Auditor, the College has made improvements in monitoring the use of motor vehicles by employees. The College will continue to improve its monitoring by having one department responsible for quality assurance and completeness of each and every College vehicle log.

INFORMATION TECHNOLOGY

Finding No. 7: College information technology security controls related to user authentication and data loss prevention needed improvement.

The College will continue to enhance and add security controls to help ensure the integrity of College data.